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TCW GALILEO  
INSTITUTIONAL FUNDS

**Annual / Semi-Annual Report**

**Statement of Additional Information (SAI)**

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**March 1, 1999**



**TCW GALILEO  
FUNDS™**  
THE POWER OF INDEPENDENT THOUGHT™

**FOR MORE INFORMATION**

**To obtain information**

By telephone, call: 800-FUND-TCW

By mail, write to: 865 South Figueroa Street  
Suite 1800  
Los Angeles, California 90017

On the Internet: Text-only versions of Fund  
documents can be viewed  
online or downloaded from:

SEC: **<http://www.sec.gov>**

You can also obtain copies by visiting the SEC's  
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As with all mutual funds,  
the Securities and  
Exchange Commission has  
not approved or  
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securities or determined  
if this Prospectus is  
truthful or complete. Any  
representation to the  
contrary is a criminal offense.

TCW GALILEO CONVERTIBLE SECURITIES FUND

TCW GALILEO SELECT EQUITIES FUND

TCW GALILEO EARNING OPPORTUNITIES FUND

TCW GALILEO LARGE CAP GROWTH FUND

TCW GALILEO LARGE CAP VALUE FUND

TCW GALILEO ANGLESTONE GROWTH EQUITIES FUND

TCW GALILEO SMALL CAP GROWTH FUND

TCW GALILEO SMALL CAP VALUE FUND

TCW GALILEO VALUE OPPORTUNITIES FUND

**GOVERNMENT  
EXHIBIT  
248**

Crim. No. H-04-25 (S-2)

## The Firm

Founded in 1971, the TCW Group provides a broad range of international and U.S. equity and fixed income investment products and services for investors around the world. With a team of over 300 investment and administrative professionals located in Los Angeles, New York, Houston, San Francisco, Hong Kong, and London, TCW has a broad depth of knowledge, investment experience and research capability. TCW Funds Management, Inc. will act as the adviser to the TCW Galileo Funds. With over \$50 billion under management or committed to management, TCW is one of the largest privately held investment companies in the United States.

## TCW Galileo Funds, Inc.

This prospectus tells you about the Institutional Class shares of nine of the separate investment funds offered by TCW Galileo Funds, Inc., each of which has different investment objectives and policies. Please read this document carefully, and keep it for future reference. Sometimes we will refer to the funds in this prospectus as the Galileo Equity Funds.

### TCW Galileo Convertible Securities Fund

### TCW Galileo Select Equities Fund

### TCW Galileo Earnings Momentum Fund

### TCW Galileo Large Cap Growth Fund

### TCW Galileo Large Cap Value Fund

### TCW Galileo Aggressive Growth Equities Fund

### TCW Galileo Small Cap Growth Fund

### TCW Galileo Small Cap Value Fund

### TCW Galileo Value Opportunities Fund

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

March 1, 1999



**TCW GALILEO FUNDS**  
THE POWER OF INDEPENDENT THOUGHT

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## GENERAL FUND INFORMATION

### Investment Objectives and Principal Strategies

All of the Galileo Equity Funds are affected by changes in the economy, or in securities and other markets. There is also the possibility that investment decisions the Adviser makes will not accomplish what they were designed to achieve or that companies in which the Funds invest will have disappointing performance or not pay their debts.

<b>TCW Galileo Funds, Inc.</b>	<b>Investment Objectives</b>	<b>Principal Investment Strategies</b>
TCW Galileo Convertible Securities Fund	High total return from current income and capital appreciation	Invests in convertible securities.
TCW Galileo Select Equities Fund	Long-term capital appreciation	Invests in common stock of large capitalization companies.
TCW Galileo Earnings Momentum Fund	Long-term capital appreciation	Invests in equity securities of companies experiencing or expected to experience accelerating earnings growth.
TCW Galileo Large Cap Growth Fund	Long-term capital appreciation	Invests in equity securities of large capitalization U.S. companies with above average earnings prospects.
TCW Galileo Large Cap Value Fund	Long-term capital appreciation	Invests in equity securities of large capitalization value companies.
TCW Galileo Aggressive Growth Equities Fund	Long-term capital appreciation	Invests in equity securities issued by companies that appear to offer superior growth prospects.
TCW Galileo Small Cap Growth Fund	Long-term capital appreciation	Invests in equity securities issued by small capitalization growth companies.
TCW Galileo Small Cap Value Fund	Long-term capital appreciation	Invests in equity securities issued by small capitalization value companies.
TCW Galileo Value Opportunities Fund	Long-term capital appreciation	Invests in equity securities of companies with market capitalizations between \$500 million and \$5 billion.

Under adverse market conditions, each Fund could invest some or all of its assets in money market securities. Although the Funds would do this only in seeking to avoid losses, it could have the effect of reducing the benefit from any upswing in the market.

### Principal Risks

Risk is the chance that you will lose money on your investment or that it will not earn as much as you expect. In general, the greater the risk, the more money your investment can earn for you and the more you can lose. Since shares of a Fund represent an investment of securities with fluctuating market prices, the value of Fund shares will vary as each Fund's portfolio securities increase or decrease in value. Therefore, the value of an investment in a Fund could go down as well as up. All investments are subject to:

#### • MARKET RISK

There is the possibility that the returns from the types of securities in which a Fund invests will underperform returns from the various general securities markets or different asset classes. Different types of securities tend to go through cycles of outperformance and underperformance in comparison to the general securities markets.

#### • SECURITIES SELECTION RISK

There is the possibility that the specific securities held in a Fund's portfolio will underperform other funds in the same asset class or benchmarks that are representative of the general performance of the asset class because of the portfolio manager's choice of securities.

#### • PRICE VOLATILITY

There is the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility.

Each Fund may also be subject (in varying degrees) to the following risks:

#### • LIQUIDITY RISK

There is the possibility that a Fund may lose money or be prevented from earning capital gains if it cannot sell a security at the time and price that is most beneficial to the Fund. The Earnings Momentum, Aggressive Growth Equities, Small Cap Growth, Small Cap Value, and Value Opportunities Funds are subject to liquidity risk because they invest primarily in securities of small or medium sized companies. The Convertible Securities Fund is subject to liquidity risk because it may invest in lower quality securities.

## • FOREIGN INVESTING RISK

There is the likelihood that foreign investments may be riskier than U.S. investments because of a lack of political stability, foreign controls on investment and currency exchange rates, fluctuations in currency exchange rates, withholding taxes, and lack of adequate company information. Each Fund is subject to foreign investing risk because it may invest in foreign company securities. In addition, because foreign securities generally are denominated and pay dividends or interest in foreign currencies, and each Fund may hold various foreign currencies, the value of the net assets of these Funds as measured in U.S. dollars can be affected favorably or unfavorably by changes in exchange rates.

## • JUNK BONDS

These bonds are speculative in nature. They are usually issued by companies without long track records of sales and earnings, or by those companies with questionable credit strength. The Convertible Securities Fund's portfolio consists, at times, primarily of below investment grade corporate securities.

Each Fund may be more susceptible to some of the risks discussed on the previous page than others, as noted in the description of each Fund. A more detailed explanation of these risks is presented under the "Risk Considerations" section at page 32.

Because each Fund is non-diversified for Investment Company Act of 1940 ("1940 Act") purposes, it may invest more than 5% of its total assets in the securities of any one issuer. Consequently, its exposure to credit and market risks associated with that issuer is increased.

Your investment is not a bank deposit, and it is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

## Performance Summary

The two tables below show each Fund's annual returns and its long-term performance with respect to its Institutional Class shares. The first table shows you how the Fund's performance has varied from year to year. The second compares the Fund's performance over time to that of a broad-based securities index. Both tables assume reinvestment of dividends and distributions. The performance information includes performance of the predecessor limited partnership of each Fund which were managed by an affiliate of TCW Funds Management, Inc., using the same investment strategy as the Funds'. The performance of the partnerships were calculated using performance standards applicable to private investment partnerships, which take into account all elements of total return and reflect the deduction of all fees and expenses of operation. The predecessor limited partnerships were not registered under the 1940 Act and, therefore, were not subject to certain investment restrictions imposed by the 1940 Act. If the limited partnerships had been registered under the 1940 Act and Subchapter M of the Internal Revenue Code of 1986, as amended their performance might have been adversely affected. As with all mutual funds, past performance is not a prediction of future results.

Year by year total return (%)  
as of December 31 each year\*

### TCW Galileo Convertible Securities Fund

16.22%	-6.09%	33.28%	14.57%	20.10%	-6.71%	22.61%	15.02%	19.26%	12.52%
<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>

\*The Fund's total return for the period October 31, 1998 to December 31, 1998 is: 11.1%

### TCW Galileo Select Equities Fund

15.41%	10.85%	22.93%	-7.04%	26.45%	20.58%	22.70%	37.97%
<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>

\*The Fund's total return for the period October 31, 1998 to December 31, 1998 is: 16.2%

### TCW Galileo Earnings Momentum Fund

23.95%	-5.70%	26.43%	10.56%	9.94%	7.45%
<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>

\*The Fund's total return for the period October 31, 1998 to December 31, 1998 is: 27.5%

### TCW Galileo Large Cap Growth Fund

8.70%	59.15%
<b>1997</b>	<b>1998</b>

\*The Fund's total return for the period October 31, 1998 to December 31, 1998 is: 23.2%

### TCW Galileo Large Cap Value Fund

18.99%

**1998**

\*The Fund's total return for the period October 31, 1998 to December 31, 1998 is: 8.4%

### TCW Galileo Aggressive Growth Equities Fund

60.66%

12.38%

12.65%

63.30%

**1995**

**1996**

**1997**

**1998**

\*The Fund's total return for the period October 31, 1998 to December 31, 1998 is: 43.6%

### TCW Galileo Small Cap Growth Fund

-11.49% 81.09% 2.74% 13.06% -4.38% 64.29% 17.63% 14.37% 20.26%

**1990**

**1991**

**1992**

**1993**

**1994**

**1995**

**1996**

**1997**

**1998**

\*The Fund's total return for the period October 31, 1998 to December 31, 1998 is: 31.3%

### TCW Galileo Value Opportunities Fund

8.50%

17.10%

0.30%

**1996**

**1997**

**1998**

\*The Fund's total return for the period October 31, 1998 to December 31, 1998 is: 8.5%

### Best and worst quarterly performance during this period

Fund	Performance
• Convertible Securities Fund Quarter ending December 31, 1998 Quarter ending September 30, 1998	15.30% (Best) - 10.34% (Worst)
• Select Equities Fund Quarter ending December 31, 1998 Quarter ending September 30, 1998	24.30% (Best) - 6.62% (Worst)
• Earnings Momentum Fund Quarter ending June 30, 1997 Quarter ending September 30, 1998	29.40% (Best) - 24.71% (Worst)
• Large Cap Growth Fund Quarter ending December 31, 1998 Quarter ending September 30, 1998	29.50% (Best) - 3.81% (Worst)
• Large Cap Value Fund Quarter ending December 31, 1998 Quarter ending September 30, 1998	20.90% (Best) - 10.46% (Worst)
• Aggressive Growth Equities Fund Quarter ending December 31, 1998 Quarter ending March 31, 1997	47.80% (Best) - 12.10% (Worst)
• Small Cap Growth Fund Quarter ending December 31, 1998 Quarter ending September 30, 1998	31.40% (Best) - 22.30% (Worst)
• Value Opportunities Fund Quarter ending December 31, 1998 Quarter ending September 30, 1998	28.60% (Best) - 21.00% (Worst)

Average annual total return as of December 31	1 year	5 years	Since inception
• Convertible Securities Fund	12.5%	12.0%	13.5%
<i>First Boston Convertible Securities Index</i>	6.5%	10.8%	12.3%
• Select Equities Fund	38.0%	19.1%	19.4%
<i>S&amp;P 500</i>	28.6%	24.1%	20.2%
• Earnings Momentum Fund	7.5%	9.3%	12.3%
<i>Russell 2000 Index</i>	-2.6%	11.6%	13.5%
• Large Cap Growth Fund	59.2%	N/A	43.0%
<i>S&amp;P/BARRA Growth Index</i>	42.2%	N/A	33.7%
• Large Cap Value Fund	19.0%	N/A	18.4%
<i>S&amp;P/BARRA Value Index</i>	14.7%	N/A	15.8%
• Aggressive Growth Fund	63.3%	N/A	34.2%
<i>S&amp;P 400 Mid-Cap</i>	19.1%	N/A	23.2%
• Small Cap Growth Fund	20.3%	20.5%	19.2%
<i>Russell 2000 Index</i>	-2.6%	11.9%	12.5%
• Value Opportunities Fund	0.3%	N/A	11.8%
<i>Wilshire Mid-Cap 750</i>	4.3%	N/A	15.4%

## Fund Expenses and Expense Example

As an investor, you pay certain fees and expenses in connection with the Funds, which are described in the table below. Annual Fund operating expenses are paid out of Fund assets, so their effect is included in the share price. The Institutional Class shares of the Funds have no sales charge (load) or Rule 12b-1 distribution fees.

### FEE TABLE

	Convertible Securities	Select Equities	Earnings Momentum	Large Cap Growth	Large Cap Value	Aggressive Growth Equities	Small Cap Growth	Small Cap Value	Value Opportunities
Shareholder Transaction Fees									
1) Redemption Fees	None	None	None	None	None	None	None	None	None
2) Exchange Fees	None	None	None	None	None	None	None	None	None
3) Contingent Deferred Sales Load	None	None	None	None	None	None	None	None	None
4) Sales Load on Reinvested Dividends	None	None	None	None	None	None	None	None	None
5) Sales Load on Purchases	None	None	None	None	None	None	None	None	None
Annual Fund Operating Expenses									
Management Fees	0.75%	0.75%	1.00%	0.55%	0.55%	1.00%	1.00%	1.00%	0.80%
Distribution (12b-1) Fees	None	None	None	None	None	None	None	None	None
Other Expenses	0.41%	0.11%	0.27%	1.98%	1.93%	0.17%	0.13%	0.20%	0.36%
Total Annual Fund Operating Expenses	1.16% <sup>1</sup>	0.86%	1.27%	2.53% <sup>2</sup>	2.48% <sup>3</sup>	1.17%	1.13%	1.20% <sup>4</sup>	1.16%

<sup>1</sup>The Adviser voluntarily agreed to reduce its fee or to pay the operating expenses of the Fund to reduce Annual Fund Operating Expenses to 1.05% of Net Assets through October 31, 1998.

<sup>2</sup>The Adviser voluntarily agreed to reduce its fee or to pay the operating expenses of the Fund to reduce Annual Fund Operating Expenses to 0.91% of Net Assets through October 31, 1998.

<sup>3</sup>The Adviser voluntarily agreed to reduce its fee or to pay the operating expenses of the Fund to reduce Annual Fund Operating Expenses to 0.55% of Net Assets through October 31, 1998.

<sup>4</sup>Estimated. Fund has no operating history.

## EXPENSE EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

This example shows what you could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 Initial Investment, 5% total return each year and no changes in expenses. The figures shown would be the same whether or not you sold your shares at the end of a period. Because actual return and expenses will be higher or lower, the Example is for comparison purposes only.

	1 Year	3 Years	5 Years	10 Years
Convertible Securities .....	\$118	\$368	\$638	\$1,409
Select Equities .....	88	274	477	1,061
Earnings Momentum .....	129	403	697	1,534
Large Cap Growth .....	256	788	1,345	2,866
Large Cap Value .....	251	773	1,321	2,816
Aggressive Growth Equities .....	119	372	644	1,420
Small Cap Growth .....	115	359	622	1,375
Small Cap Value .....	122	381	660	1,455
Value Opportunities .....	118	368	638	1,409

## TCW Galileo Convertible Securities Fund

### Investment Objectives/Approach

The Fund seeks high total return from current income and capital appreciation. To pursue this goal, the Fund (except when maintaining a temporary defensive position) invests at least 65% of the value of its total assets in convertible securities.

In managing the Fund's investments, the Adviser considers the following factors when determining which securities to select:

### Concepts to understand

**Convertible securities** are corporate securities that are exchangeable for a set number of another form of security at a pre stated price. They can be in the form of equity or debt.

The Fund anticipates that it will primarily invest in convertible securities that have a credit rating of at least B- or B3 by rating agencies such as Moody's Investors Service, Inc. or Standard & Poor's Corporation or if unrated are deemed of comparable quality by the Adviser. These securities are considered to be mostly speculative in nature.

- the Adviser's own evaluations of the creditworthiness of the issuers of the securities
- the interest or dividend income generated by the securities
- the potential for capital appreciation of the securities and the underlying common stocks
- the protection against price declines relative to the underlying common stocks
- the prices of the securities relative to other comparable securities
- whether the securities have protective conditions
- the diversification of the Fund's investments
- the ratings assigned to the securities

*Thomas D. Lyon and Kevin A. Hunter  
are the Fund's portfolio managers.*

## Main Risks

The Fund holds primarily convertible securities, which may go up or down in value, in accordance with moves in the convertible securities' underlying stock, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility.

The primary risks affecting this Fund are "credit risk," "interest rate risk," "liquidity risk" and, to a lesser extent, "foreign investing risk."

Credit risk refers to the likelihood that the Fund could lose money if an issuer is unable to meet its financial obligations, such as the payment of principal and/or interest on an instrument, or goes bankrupt. This Fund may be subject to greater credit risk, because it invests in convertible debt securities that are below investment grade. Debt securities that are rated below investment grade are considered to be speculative. These securities rated below investment grade are also commonly known as "junk" bonds. This is especially true during periods of economic uncertainty or during economic downturns. Below investment grade securities are often issued by companies without long track records of sales and earnings, or by those companies with questionable credit strength. In the event of a prepayment problem by the issuer of these securities, they will only be paid if there is anything left after the payment of senior debt, such as bank loans and investment grade bonds. Interest rate risk refers to the possibility that the value of the Fund's portfolio investments may fall since fixed income securities generally fall in value when interest rates rise. The longer the term of a fixed income instrument, the more sensitive it will be to fluctuations in value from interest rate changes. Liquidity risk refers to the possibility that the Fund may lose money or be prevented from earning capital gains if it cannot sell a security at the time and price that is most beneficial to the Fund. Because lower quality securities may be less liquid than higher quality securities, the Fund may be more susceptible to liquidity risk than funds that invest in higher quality securities. A security whose credit rating has been lowered may be particularly difficult to sell. Because the Fund may invest a portion of its assets in securities issued by foreign companies, it may be subject to foreign investing risks. Foreign investing risk refers to the likelihood that foreign investments may be riskier than U.S. investments because of many factors, some of which include:

- a lack of political or economic stability
- foreign controls on investment and changes in currency exchange rates
- withholding taxes
- a lack of adequate company information

The risks of foreign investing are even more pronounced if the Fund invests in emerging markets. In addition, securities traded only through foreign markets may be more volatile and are often harder to sell. Volatility is a way to measure the changes in the price of a single security or an entire portfolio. Large and frequent price changes indicate higher volatility, which generally indicates that there is a greater chance you could lose money over the short term. The Fund is also subject to foreign currency risk. Because foreign securities are generally denominated and pay dividends or interest in foreign currencies, the value of the net assets of the Fund as measured in U.S. dollars will be affected favorably or unfavorably by changes in exchange rates.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased realized gains, for investors.



## TCW Galileo Select Equities Fund

### Investment Objectives/Approach

The Fund seeks long-term capital appreciation. Performance should be measured over a full market cycle.

### Concepts to understand

#### **Large capitalization companies**

are established companies that are considered known quantities. Large companies often have the resources to weather economic shifts, though they can be slower to innovate than small companies.

To pursue this goal, the Fund invests primarily in the common stocks of larger companies. The investment philosophy underlying our strategy is a highly focused approach which seeks to achieve superior long-term returns by owning shares in companies that are believed to have strong and enduring business models and inherent advantages over their competitors. Except when maintaining a temporary defensive position, the Fund anticipates that at least 65% of the value of its total assets will be invested in equity securities of these companies. In implementing its investment policy, the Fund may purchase and sell convertible securities and foreign securities.

*Glen A. Bickerstaff is the Fund's portfolio manager.*

### Main Risks

The Fund holds primarily stocks, which may go up or down in value, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility. In addition, the Fund may hold convertible debt securities. Many convertible debt securities are rated below investment grade and are considered speculative by rating agencies as to repayment of principal and interest.

The primary risks affecting this Fund are "price volatility" and "foreign investing risk." Price volatility refers to the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. Although the Fund is subject to price volatility because of its stock investments, it is subject to less price volatility than funds that invest in the securities of smaller companies. Because the Fund may invest a portion of its assets in securities issued by foreign companies, it may be subject to foreign investing risks. Foreign investing risk refers to the likelihood that foreign investments may be riskier than U.S. investments because of many factors, some of which include:

- a lack of political or economic stability
- foreign controls on investment and currency exchange rates
- withholding taxes
- a lack of adequate company information

In addition, securities traded only through foreign markets may be more volatile and are often harder to sell. Volatility is a way to measure the changes in the price of a single security or an entire portfolio. Large and frequent price changes indicate higher volatility, which generally indicates that there is a greater chance you could lose money over the short-term. The Fund is also subject to foreign currency risk. Because foreign securities are generally denominated and pay dividends or interest in foreign currencies, the value of the net assets of the Fund as measured in U.S. dollars will be affected favorably or unfavorably by changes in exchange rates.

The Fund may invest some assets in options, futures and foreign currency futures and forward contracts. These practices are used primarily to hedge the Fund's portfolio but may be used to increase returns; however, such practices sometimes may reduce returns or increase volatility.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any

extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased realized gains, for investors.

## **TCW Galileo Earnings Momentum Fund**

### **Investment Objectives/Approach**

The Fund seeks long-term capital appreciation. To pursue this goal, the Fund invests primarily in equity securities of companies experiencing or expected to experience accelerating earnings growth. The Fund will invest primarily in common stocks, but may also invest in convertible securities, warrants, options and foreign securities.

### **Concepts to understand**

**Earnings acceleration** is the pattern of increasing rate of growth in a company or industry is typically triggered by a change that causes fundamentals to improve.

The Adviser uses a "bottom-up" approach to identify industries or companies that are experiencing or expected to experience an acceleration in earnings growth. It monitors the following changes in an attempt to identify these companies:

- changes in general economic, political or demographic trends
- development of new products or technology
- changes in consumer attitudes
- changes in a company's competitive advantage
- changes in the way a company is operated or valued

*Richard C. Farra, Charles Larsen and Lisa Zeller are the Fund's portfolio managers.*

## Main Risks

The Fund holds primarily stocks, which may go up or down in value, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility. In addition, the Fund may hold convertible debt securities. Many convertible debt securities are rated below investment grade and are considered speculative by rating agencies as to repayment of principal and interest.

The primary risks affecting this Fund are "price volatility," "liquidity risk" and "foreign investing risk." Price volatility refers to the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. This Fund may be subject to greater price volatility than funds that invest in the securities of large companies. Liquidity risk refers to the possibility that the Fund may lose money or be prevented from earning capital gains if it cannot sell securities at the time and price that is most beneficial to the Fund. Because the securities of small-sized companies may be less liquid than the securities of large-sized companies, the Fund may be more susceptible to liquidity risk than funds that invest in the securities of large-sized companies. Because the Fund may invest a portion of its assets in securities issued by foreign companies, it may be subject to foreign investing risks. Foreign investing risk refers to the likelihood that foreign investments may be riskier than U.S. investments because of many factors, some of which include:

- a lack of political or economic stability
- foreign controls on investment and currency exchange rates
- withholding taxes
- a lack of adequate company information

In addition, securities traded only through foreign markets may be more volatile and are often harder to sell. Volatility is a way to measure the changes in the price of a single security or an entire portfolio. Large and frequent price changes include higher volatility, which generally indicates that there is a greater chance you could lose money over the short term. The Fund is also subject to foreign currency risk. Because foreign securities are generally denominated and pay dividends or interest in foreign currencies, the value of the net assets of the Fund as measured in U.S. dollars will be affected favorably or unfavorably by changes in exchange rates.

The Fund may invest some assets in options. This practice is used primarily to hedge the Fund's portfolio but it may be used to increase returns; however, this practice sometimes may reduce returns or increase volatility.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased realized gains, for investors.

## TCW Galileo Large Cap Growth Fund

### Investment Objectives/Approach

The Fund seeks long-term capital appreciation. To pursue this goal, the Fund invests primarily in equity securities of large capitalization U.S. companies with above-average earnings prospects. It will invest (except when maintaining a temporary defensive position) at least 65% of the value of its total assets in companies with a market capitalization of greater than \$3 billion at the time of purchase.

#### Concepts to understand

##### **Large capitalization companies**

are established companies that are considered known quantities. Large capitalization companies often have the resources to weather economic shifts, although they can be slower to innovate than small companies.

**Growth companies** are companies exhibiting faster than average gains in earnings and which are expected to continue to show high levels of growth gain.

In managing the Fund's investments, the Adviser seeks to invest in companies that will have reported earnings that exceed analysts' expectations (i.e., potential for earnings surprises). The Adviser utilizes "bottom-up" fundamental research to identify these companies. The Adviser performs fundamental research by using techniques such as:

- making company visits
- attending industry conferences
- maintaining communication with company management

The Adviser then uses the information that it has obtained from its fundamental research to analyze the company's long-term growth potential, future earnings and cash flow.

The Adviser uses quantitative and qualitative screening criteria to determine which companies to subject to its fundamental analysis.

*Wendy S. Barker and Douglas S. Foreman are the Fund's portfolio managers.*

### Main Risks

The Fund holds primarily stocks, which may go up or down in value, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility. In addition, the Fund may hold convertible debt securities. Many convertible debt securities are rated below investment grade and are considered speculative by rating agencies as to repayment of principal and interest.

The primary risk affecting this Fund is "price volatility." Price volatility refers to the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. This Fund may be less susceptible to price volatility risk because it invests in the securities of large companies. This is especially true during periods of economic uncertainty or during economic downturns.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased realized gains, for investors.

## TCW Galileo Large Cap Value Fund

### Investment Objectives/Approach

The Fund seeks long-term capital appreciation. To pursue this goal, the Fund invests primarily in equity securities of large capitalization companies. The securities include common and preferred stock and convertible securities. The Fund will invest (except when maintaining a temporary defensive position) at least 65% of the value its total assets in publicly traded equity securities of companies with a market capitalization of greater than \$3 billion at the time of purchase. The Fund will invest mostly in "value companies."

### Concepts to understand

#### Large capitalization companies

are established companies that are considered known quantities. Large capitalization companies often have the resources to weather economic shifts, although they can be slower to innovate than small companies.

**Value companies** are companies that appear underpriced according to certain financial measurements of their intrinsic worth or business prospects (such as price-to-earnings or price-to-book ratios). Because a stock can remain undervalued for years, value investors often look for factors that could trigger a rise in price.

In managing the Fund's investments, the Adviser seeks to invest in attractively valued equity securities of companies where the return on invested capital is improving. The Adviser utilizes bottom-up fundamental research to identify these companies. The Adviser performs fundamental research by using techniques such as:

- making company visits
- financial screening to identify companies
- maintaining a disciplined approach to stock selection and portfolio construction

The Adviser will use both quantitative and qualitative screening criteria to supplement the scope of fundamental research.

*Thomas K. McKissick is the Fund's portfolio manager.*

### Main Risks

The Fund holds primarily stocks, which may go up or down in value, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility. In addition, the Fund may hold convertible debt securities. Many convertible debt securities are rated below investment grade and are considered speculative by rating agencies as to repayment of principal and interest.

The primary risk affecting this Fund is "price volatility." Price volatility refers to the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. This Fund may be less susceptible to price volatility than funds that invest in the securities of small companies. This is especially true during periods of economic uncertainty or during economic downturns.

The Fund may invest some assets in options. This practice is used primarily to hedge the Fund's portfolio but it may be used to increase returns; however, this practice sometimes may reduce returns or increase volatility.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased gains, for investors.

## TCW Galileo Aggressive Growth Equities Fund

### Investment Objectives/Approach

The Fund seeks long-term capital appreciation. To pursue this goal, the Fund anticipates that at least 65% of the value of its total assets will be invested (except when maintaining a temporary defensive position) in equity securities in issuers which are characterized as "growth" companies according to criteria established by the Adviser. These securities include common and preferred stock and convertible securities. In managing the Fund's investments, the Adviser will focus on emerging companies that exhibit this characteristic.

### Concepts to understand

**Emerging growth companies** are companies that are likely to show rapid growth through reinventing an existing industry or pioneering a new industry.

The Adviser utilizes a "bottom-up" approach to identify securities for investment. First, the Adviser uses quantitative and qualitative criteria to screen companies. The Adviser then subjects companies that make it through this screening process to fundamental analysis, which generally looks for at least some of the following factors:

- a demonstrated record of consistent earnings growth or the potential to grow earnings
- an ability to earn an attractive return on equity
- a price/earnings ratio which is less than the Adviser's internally estimated three-year earnings growth rate
- a large and growing market share
- a strong balance sheet
- significant ownership interest by management and a strong management team.

*Christopher J. Ainley and Douglas S. Foreman are the Fund's portfolio managers.*

### Main Risks

The Fund holds primarily stocks, which may go up or down in value, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility. In addition, the Fund may hold convertible debt securities. Many convertible debt securities are rated below investment grade and are considered speculative by rating agencies as to repayment of principal and interest.

The primary risks affecting this Fund are "price volatility" and "liquidity risk." Price volatility refers to the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. This Fund may be subject to greater price volatility than funds that invest in the securities of larger companies. Liquidity risk refers to the possibility that the Fund may lose money or be prevented from earning capital gains if it cannot sell securities at the time and price that is most beneficial to the Fund. Because the securities of medium-sized companies may be less liquid than the securities of large-sized companies, the Fund may be susceptible to liquidity risk more than funds that invest in the securities of large-sized companies. In addition, the Fund may be subject to liquidity risk because it may invest in debt instruments rated below investment grade.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased realized gains, for investors.

## TCW Galileo Small Cap Growth Fund

### Investment Objectives/Approach

The Fund seeks long-term capital appreciation. To pursue this goal, it invests (except when maintaining a temporary defensive position) at least 65% of the value of its total assets in equity securities issued by companies with market capitalizations, at the time of acquisition, within the capitalization range of the companies comprising the Standard & Poor's Small Cap 600 Index.

### Concepts to understand

**Small-Sized Companies** seek long term capital appreciation by focusing on small, fast-growing companies that offer cutting-edge products, services or technologies. Because these companies are often in their early stages of development, their stocks tend to fluctuate more than most other securities.

In managing the Fund's investments, the Adviser pursues a small cap growth investment philosophy. That philosophy consists of fundamental company-by-company analysis used in conjunction with technical and quantitative market analysis to screen potential investments and to continuously monitor securities in the Fund's portfolio.

*Douglas S. Foreman, Christopher J. Ainley, Nicholas J. Capuano and Charles Larsen are the Fund's portfolio managers.*

### Main Risks

The Fund holds primarily stocks, which may go up or down in value, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility. In addition, the Fund may hold convertible debt securities. Many convertible debt securities are rated below investment grade and are considered speculative by rating agencies as to repayment of principal and interest.

The primary risks affecting this Fund are "price volatility" and "liquidity risk." Price volatility refers to the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. This Fund may be subject to greater price volatility than funds that invest in the securities of large or midcap companies. Liquidity risk refers to the possibility that the Fund may lose money or be prevented from earning capital gains if it cannot sell securities at the time and price that is most beneficial to the Fund. Because the securities of small-size companies may be less liquid than the securities of large-size companies, the Fund may be more susceptible to liquidity risk than funds that invest in the securities of large-sized companies.

The Fund may invest some assets in options. This practice is used primarily to hedge the Fund's portfolio but may be used to increase returns; however, such practice sometimes may reduce returns or increase volatility.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased realized gains, for investors.

## TCW Galileo Small Cap Value Fund

### Investment Objectives/Approach

The Fund seeks long-term capital appreciation. To pursue this goal, it invests (except when maintaining a temporary defensive position) at least 65% of the value of its total assets in equity securities issued by value companies with market capitalizations, at the time of acquisition, within the range of the companies comprising the Standard & Poor's Small Cap 600 Index. These securities include common and preferred stocks, rights or warrants to purchase common or preferred stock and convertible securities.

### Concepts to understand

**Undervalued Assets:** When a company's securities are selling below probable liquidation values, net working capital or tangible book value.

**Undervalued Growth Potential:** When a company has a strong potential growth rate and a strong balance sheet but has securities selling at a market multiple (based on normalized earnings) and/or a price earnings multiple at a discount to its peer group of companies.

**Turnaround Situation:** When a company has a sound balance sheet but has securities that are selling at a significant market discount to the Adviser's estimate of the company's 24 month sustainable earnings.

**Emerging Growth Company:** When a company has the potential for a significant annual growth rate, a proprietary product and/or pre-eminent market position, with a price/earnings multiple of generally not more than half the expected growth rate.

In managing the Fund's investments, the Adviser looks to invest the Fund's assets in the equity securities of companies that:

- have undervalued assets or undervalued growth potential
- are in a turnaround situation
- are emerging growth companies

The Adviser performs fundamental analysis on each company. This includes a review of available financial and other business information, company visits and management interviews.

*Nicholas F. Gallucio, Susan I. Schottenfeld and Tyler D. Davis are the Fund's portfolio managers.*

### Main Risks

The Fund holds primarily stocks, which may go up or down in value, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility. In addition, the Fund may hold convertible debt securities. Many convertible debt securities are rated below investment grade and are considered speculative by rating agencies as to repayment of principal and interest.

The primary risks affecting this Fund are "price volatility" and "liquidity risk." **Price volatility** refers to the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. This Fund may be subject to greater price volatility than funds that invest in the securities of large companies. **Liquidity risk** refers to the possibility that the Fund may lose money or be prevented from earning capital gains if it cannot sell securities at the time and price that is most beneficial to the Fund. Because the securities of small-size companies may be less liquid than the securities of large-size companies, the Fund may be susceptible to liquidity risk more than funds that invest in the securities of large-sized companies.

The Fund may invest some assets in options. This practice is used primarily to hedge the Fund's portfolio but may be used to increase returns; however, such practice sometimes may reduce returns or increase volatility.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased realized gains, for investors.



## TCW Galileo Value Opportunities Fund

### Investment Objectives/Approach

The Fund seeks long-term capital appreciation. To pursue this goal, the Fund invests (except when maintaining a temporary defensive position) at least 65% of the value of its total assets in equity securities of companies with market capitalizations between \$500 million and \$5 billion. These equity securities include common and preferred stocks, rights or warrants to purchase common stock and convertible securities.

### Concepts to understand

**Undervalued Assets:** When a company's securities are selling below probable liquidation values, net working capital or tangible book value.

**Undervalued Growth Potential:** When a company has a strong potential growth rate and a strong balance sheet but has securities selling at less than a market multiple (based on normalized earnings) and/or a price earnings multiple at a discount to its peer group of companies.

**Turnaround Situation:** When a company has a sound balance sheet but has securities that are selling at a significant market discount to the Adviser's estimate of the company's 24 month sustainable earnings.

**Emerging Growth Company:** When a company has the potential for a significant annual growth rate, a proprietary product and/or pre-eminent market position, with a price/earnings multiple of generally not more than half the expected growth rate.

In managing the Fund's investments, the Adviser looks to invest the Fund's assets in the equity securities of companies that:

- have undervalued assets
- have undervalued growth potential
- are in a turnaround situation
- are emerging growth companies

The Adviser also utilizes fundamental analysis on each company. This includes a review of available financial information, company visits and management interviews.

*Nicholas F. Gallucio, Susan I. Schottenfeld and Tyler D. Davis are the Fund's portfolio managers.*

### Main Risks

The Fund holds primarily stocks, which may go up or down in value, sometimes rapidly and unpredictably. Although stocks offer the potential for greater long-term growth than most fixed income securities, stocks generally have higher short-term volatility. In addition, the Fund may hold convertible debt securities. Many convertible debt securities are rated below investment grade and are considered speculative by rating agencies as to repayment of principal and interest.

The primary risks affecting this Fund are "price volatility" and "liquidity risk." Price volatility refers to the possibility that the value of the Fund's portfolio will change as the prices of its investments go up or down. This Fund may be subject to greater price volatility than funds that invest in the securities of large companies. Liquidity risk refers to the possibility that the Fund may lose money or be prevented from earning capital gains if it cannot sell securities at the time and price that is most beneficial to the Fund. Because the securities of small-size companies may be less liquid than the securities of large-size companies, the Fund may be susceptible to liquidity risk more than funds that invest in the securities of large-sized companies.

The Fund may invest some assets in options. This practice is used primarily to hedge the Fund's portfolio but may be used to increase returns; however, such practice sometimes may reduce returns or increase volatility.

The Fund seeks to earn additional income by making loans of its portfolio securities to brokers, dealers and other financial institutions. The loans will be secured at all times by cash and liquid high grade debt obligations. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower fail financially.

The Fund may engage in active portfolio management which may result in increased Fund transaction expenses and have tax consequences, such as increased realized gains, for investors.

## **Risk Considerations**

Please consider the following risks before investing in a Fund.

Various market risks can affect the price or liquidity of an issuer's securities. Adverse events occurring with respect to an issuer's performance or financial position can depress the value of the issuer's securities. The liquidity in a market for a particular security will affect its value and may be affected by factors relating to the issuer, as well as the depth of the market for that security. Other market risks that can affect value include a market's current attitudes about types of securities, market reactions to political or economic events, and tax and regulatory effects (including lack of adequate regulations for a market or particular type of instrument). Market restrictions on trading volume can also affect price and liquidity.

### **General Investment Risk**

Since shares of a Fund represent an investment in securities with fluctuating market prices, the value of Fund shares will vary as the value of each Fund's portfolio securities increases or decreases. Therefore, the value of an investment in a Fund could go down as well as up.

Prices of many securities tend to be more volatile in the short-term. Therefore an investor who trades frequently or redeems in the short-term is more likely to incur loss than an investor who holds investments for the longer term. The fewer the number of issuers in which a Fund invests, the greater the potential volatility of its portfolio.

The Adviser may temporarily invest up to 100% of a Fund's assets in high quality, short-term money market instruments if it believes adverse economic or market conditions, such as excessive volatility or sharp market declines, justify taking a defensive investment posture. If a Fund attempts to limit investment risk by temporarily taking a defensive investment position, it may be unable to pursue its investment objective during that time, and it may miss out on some or all of an upswing in the securities markets.

Investment in foreign securities involves special risks in addition to the usual risks inherent in domestic investments. These include: political or economic instability; the unpredictability of international trade patterns; the possibility of foreign governmental actions such as expropriation, nationalization or confiscatory taxation; the imposition or modification of foreign currency or foreign investment controls; the imposition of withholding taxes on dividends, interest and gains; price volatility; and fluctuations in currency exchange rates.

### **Foreign Investing**

As compared to U.S. companies, foreign issuers generally disclose less financial and other information publicly and are subject to less stringent and less uniform accounting, auditing and financial reporting standards. Foreign countries typically impose less thorough regulations on brokers, dealers, stock exchanges, insiders and listed companies than does the U.S., and foreign securities markets may be less liquid and more volatile than domestic markets. Investment in foreign securities involves higher costs than investment in U.S. securities, including higher transaction and custody costs as well as the imposition of additional taxes by foreign governments. In addition, security trading practices abroad may offer less protection to investors such as the Funds. Settlement of transactions in some foreign markets may be delayed or may be less frequent than in the U.S., which could affect the liquidity of each Fund's portfolio. Also, it may be more difficult to obtain and enforce legal judgments against foreign corporate issuers than against domestic issuers and it may be impossible to obtain and enforce judgments against foreign governmental issuers.

Because foreign securities generally are denominated and pay dividends or interest in foreign currencies, and some of the Funds hold various foreign currencies from time to time, the value of the net

assets of those Funds as measured in United States dollars will be affected favorably or unfavorably by changes in exchange rates. Generally, currency exchange transactions will be conducted on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market. The cost of currency exchange transactions will generally be the difference between the bid and offer spot rate of the currency being purchased or sold. In order to protect against uncertainty in the level of future foreign currency exchange rates, certain of the Funds are authorized to enter into certain foreign currency futures and forward contracts. However, a Fund is not obligated to do so and, depending on the availability and cost of these services, the Fund may be unable to use foreign currency futures and forward contracts to protect against currency uncertainty. Please see the Statement of Additional Information for further information.

The forward currency market for the purchase or sale of U.S. dollars in most countries is not highly developed, and in certain countries, there may be no such market. If a devaluation of a currency is generally anticipated, a Fund may not be able to contract to sell the currency at an exchange rate more advantageous than that which would prevail after the anticipated amount of devaluation, particularly in regards to forward contracts for local Latin American currencies in view of the relatively small, inactive or even non-existent market for these contracts. In the event the Funds hold securities denominated in a currency that suffers a devaluation, the Funds' net asset values will suffer corresponding reductions. In this regard, in December 1994, the Mexican government determined to allow the Mexican peso to trade freely against the U.S. dollar rather than within a controlled band, which action resulted in a significant devaluation of the Mexican peso against the dollar. Further, in July 1997, the Thai and Philippine governments allowed the baht and peso, respectively, to trade freely against the U.S. dollar resulting in a sharp devaluation of both currencies, and in 1998 Russia did the same, causing a sharp devaluation of the ruble.

Fixed Income securities are subject to various risks. The two primary (but not exclusive) risks affecting fixed income instruments are "credit risk" and "interest rate risk." These risks can affect a security's price volatility to varying degrees, depending upon the nature of the instrument. In addition, the depth and liquidity of the market for an individual or class of fixed income security can also affect its price and, hence, the market value of a Fund.

#### **Fixed Income Securities**

"Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack of or inadequacy of collateral or credit enhancements for a fixed income security may affect its credit risk. Credit risk of a security may change over its life, and securities which are rated by rating agencies are often reviewed and may be subject to downgrade.

Each Galileo Equity Fund may invest in convertible securities rated below investment grade. Debt securities that are rated below investment grade are considered to be speculative. Those securities rated below investment grade are also commonly known as "junk" bonds. Generally, lower-rated debt securities provide a higher yield than higher rated debt securities of similar maturity but are subject to greater credit risk than higher rated securities of similar maturity. Such securities are regarded as predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. Because investment in lower quality securities involves greater investment risk, achievement of a Fund's investment objective will be more dependent on the Adviser's analysis than would be the case if the Fund were investing in higher quality bonds. In addition, lower quality

securities may be more susceptible to real or perceived adverse economic and individual corporate developments than would investment grade bonds. Moreover, the secondary trading market for lower quality securities may be less liquid than the market for investment grade bonds. This potential lack of liquidity may make it more difficult for the Adviser to value accurately certain portfolio securities.

"Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a fixed income security directly (especially in the case of fixed rate securities) and indirectly (especially in the case of adjustable rate securities). In general, rises in interest rates will negatively impact the price of fixed rate securities and falling interest rates will have a positive effect on price. The degree to which a security's price will change as a result of changes in interest rates is measured by its "duration." For example, the price of a bond with a 5 year duration would be expected under normal market conditions to decrease 5% for every 1% increase in interest rates. Generally, securities with longer maturities have a greater duration and thus are subject to greater price volatility from changes in interest rates. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other things).

Each of the Galileo Equity Funds is non-diversified for 1940 Act purposes and as such may invest a larger percentage of its assets in individual issuers than a diversified investment company. In this regard, the Fund is not subject to the general limitation that it not invest more than 5% of its total assets in the securities of any one issuer. To the extent the Fund makes investments in

#### **Non-Diversified Status**

excess of 5% of its assets in a particular issuer, its exposure to credit and market risks associated with that issuer is increased. However, each Fund's investments will be limited so as to qualify for the special tax treatment afforded "regulated investment companies" under the Internal Revenue Code of 1986, as amended.

The investment advisory and management services provided by the Adviser and the services provided to shareholders by the Transfer Agent depend on the smooth functioning of their computer systems. Many computer software systems in use today cannot recognize the year 2000, but revert to 1900 or some other date, due to the manner in which dates were encoded and calculated. That failure could have a negative impact on the handling of securities trades, pricing and account services. The Adviser and the Transfer Agent have been actively working on necessary changes to their own computer systems to prepare for the year 2000 and expect that their systems will be adapted for year 2000 compliance before that date, but there can be no assurance that they will be successful, or that interaction with other non-complying computer systems will not impair their services at that time. The Adviser has been, and is currently in contact with, each of its external service providers to evaluate their readiness for the year 2000. The Adviser has requested each of its external service providers to either; (i) prepare a description of its process for identifying date sensitive areas, its approach for implementing changes and its testing methodology, along with its timetable for completion, or (ii) certify as to its year 2000 compliance.

#### **Year 2000**

In addition, it is possible that the markets for securities in which the Funds invest may be negatively affected by computer failures throughout the financial services industry commencing January 1, 2000. Improperly functioning trading systems may result in settlement problems. In addition, corporate and governmental data processing errors may result in production problems for individual companies and create overall economic uncertainties. Earnings of individual issuers will be affected by remediation costs which may be substantial. Individual firms may further experience disruptions to their business due to the failure of their counterparts to address year 2000 problems, or could experience further disruption to the economy at large, which could adversely affect corporate earnings generally and the value of their securities. Accordingly, a Fund's portfolio investments may be negatively affected.

Certain of the Funds will invest in European countries that have agreed to enter into the European Monetary Union (EMU). EMU is an effort by certain European countries to, among other things, reduce barriers between countries and eliminate fluctuations in their currencies. Among other things, EMU establishes a single European currency (the euro), which was introduced on January 1, 1999 and is expected to replace the existing national currencies of all initial EMU participants by July 1, 2002. Upon introduction of the euro, certain securities (beginning with government and corporate bonds) have been redenominated in the euro and, thereafter trade and make dividend and other payments only in euros.

#### **European Economic and Monetary Union**

Like other investment companies and business organizations, including the companies in which the Funds invest, the Funds could be adversely affected: (i) if the euro, or EMU as a whole does not take affect; (ii) if a participating country withdraws from EMU; or (iii) if the computing, accounting and trading systems used by the Funds' service providers, or by other business entities with which the Funds or their service providers do business, are not capable of recognizing the euro as a distinct currency at the time of, and following euro conversion.

#### **Management of the Funds**

##### **Investment Adviser**

The Funds' investment adviser is TCW Funds Management, Inc. (the "Adviser") and is headquartered at 865 South Figueroa Street, Suite 1800, Los Angeles, California 90017. As of December 31, 1998, the Adviser and its affiliated companies, which provide a variety of trust, investment management and investment advisory services, had over \$50 billion under management or committed for management.

#### **Portfolio Managers**

Listed below are the individuals who have been primarily responsible for the day-to-day portfolio management of the Funds, including a summary of each person's business experience during the past five years:

<b>Portfolio Manager(s)</b>	<b>Business Experience During Last Five Years*</b>
Christopher J. Ainley	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West. Prior to joining TCW in 1994 he was a portfolio manager with Putnam Investments.
Wendy S. Barker	Senior Vice President, the Adviser, TCW Asset Management Company and Trust Company of the West.
Glen A. Bickerstaff	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West since May 1998. Previously, he was senior portfolio manager and Vice President of Transamerica Investment Services.
Nicholas J. Capuano	Senior Vice President, the Adviser, TCW Asset Management Company and Trust Company of the West.
Tyler D. Davis	Senior Vice President, the Adviser, TCW Asset Management Company and Trust Company of the Trust since March 1998. Previously a Director of Cowen Asset Management Company (March 1996 to February 1998) and prior thereto a Partner with Beck Mack & Oliver.
Richard C. Farra	Senior Vice President, the Adviser, TCW Asset Management Company and Trust Company of the West. Previously, he was managing director of the Domestic Equity Group of ARCO Investment Management Company, a subsidiary of Atlantic Richfield Company (ARCO).
Douglas S. Foreman	Group Managing Director and Chief Investment Officer-U.S. Equities, the Adviser, TCW Asset Management Company and Trust Company of the West since May 1994. Previously, he was a portfolio manager with Putnam Investments.
Nicholas F. Galluccio	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West.
Kevin A. Hunter	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West.
Charles Larsen	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West.
Thomas D. Lyon	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West since November, 1997. Previously, he was Vice President—Portfolio Management with Transamerica Investment Services.
Thomas K. McKissick	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West.
Susan I. Schottenfeld	Managing Director, the Adviser, TCW Asset Management Company and Trust Company of the West.
Lisa Zeller	Senior Vice President, the Adviser, TCW Asset Management Company and Trust Company of the West.

\*Positions with the TCW Group, Inc. and its affiliates may have changed over time.

## Advisory Agreements

The Fund and the Adviser have entered into an Investment Advisory and Management Agreement (the "Advisory Agreement"), under the terms of which the Funds have employed the Adviser to manage the investment of their assets, to place orders for the purchase and sale of their portfolio securities, and to be responsible for overall management of the Funds' business affairs, subject to control by the Board of Directors. The Adviser also pays certain costs of marketing the Funds, including sales personnel compensation, from legitimate profits from its investment advisory fees and other resources available to it. In addition, the Adviser may reimburse third party administrators for retirement plan shareholder servicing expenses. Under the Advisory Agreement, the Funds pay to the Adviser as compensation for the services rendered, facilities furnished, and expenses paid by it the following fees:

<b>Fund</b>	<b>Annual Management Fee (As Percent of Average Net Asset Value)</b>
Convertible Securities	0.75%
Select Equities	0.75%
Earnings Momentum	1.00%
Large Cap Growth	0.55%
Large Cap Value	0.55%
Aggressive Growth Equities	1.00%
Small Cap Growth	1.00%
Small Cap Value	1.00%
Value Opportunities Fund	0.80%

The Adviser has agreed to reduce its investment advisory fee or to pay the ordinary operating expenses of the Funds to the extent necessary to limit the Funds' ordinary operating expenses to an amount not to exceed the trailing monthly expense ratio average for comparable funds calculated by Lipper Analytical Services, Inc. through December 31, 1999.

The Advisory Agreement provides that the Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by a Fund in connection with the matters to which the agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its duties or from reckless disregard by the Adviser of its duties under the agreement.

## Multiple Class Structure

Each Fund currently offers two classes of shares, Institutional Class shares and Class N shares. Shares of each class of a Fund represent an equal pro rata interest in that Fund and generally give you the same voting, dividend, liquidation, and other rights. The Institutional Class shares are offered at the current net asset value. The Class N shares are also offered at the current net asset value, but will be subject to fees imposed under a distribution plan ("Distribution Plan") adopted pursuant to Rule 12b-1 under the 1940 Act. Pursuant to the Distribution Plan, each Fund compensates the Funds' distributor at a rate equal to 0.25% of the average daily net assets of the Fund attributable to its Class N shares for distribution and related services. Because these fees are paid out of the Fund's Class N assets on an on-going basis, over time, these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

## YOUR INVESTMENT

### Account Policies and Services

#### Buying shares

You pay no sales charges to invest in a Fund. Your price for Fund shares is the Fund's net asset value per share (NAV) which is calculated as of the close of trading on the New York Stock Exchange (usually 4:00 p.m. Eastern time) every day the exchange is open. Your order will be priced at the next NAV calculated after your order is accepted by the Fund. Orders received by a Fund's transfer agent from dealers, brokers or other service providers after NAV for the day is determined will receive that same day's NAV if the orders were received by the dealers, brokers or service providers from their customers prior to 4:00 p.m. and were transmitted to and received by the transfer agent prior to 8:00 a.m. Eastern time on the next day. A Fund's investments are valued based on market value, or where market quotations are not readily available, based on fair value as determined in good faith by the Fund pursuant to procedures established by the Fund's Board.

#### Minimums

	Initial	Additional
All Funds except Money Market Fund	\$250,000	\$25,000
Money Market Fund	\$100,000	\$ 1,000

The TCW Galileo Funds, Inc. may waive the minimum and subsequent investments. All investments must be in U.S. dollars. Third-party checks, except those payable to an existing shareholder, will normally not be accepted. If your check or wire does not clear, you will be responsible for any loss a Fund incurs.

#### Selling shares

You may sell shares at any time. Your shares will be sold at the next NAV calculated after your order is accepted by the Fund's Transfer Agent. Any certificates representing Fund shares being sold must be returned with your redemption request. Your order will be processed promptly, and you will generally receive the proceeds within a week.

Before selling recently purchased shares, please note that if the Fund has not yet collected payment for the shares you are selling, it may delay sending the proceeds for up to fifteen days.

#### Written sell order

Some circumstances require written sell orders, along with signature guarantees. These include:

- amounts of \$100,000 or more
- amounts of \$1,000 or more on accounts whose address has been changed within the last 30 days
- requests to send the proceeds to a payee or address different than what is on our records

A signature guarantee helps protect against fraud. You can obtain one from most banks or securities dealers but not from a notary public. Please call (800) 248-4486 to ensure that your signature guarantee will be processed correctly.

#### Exchange privilege

You can exchange from one Class I Galileo Fund into another. You must meet the investment minimum for the Fund you are exchanging into. You can request your exchange in writing or by phone. Be sure to read the current prospectus for any Fund into which you are exchanging. Any new account established through an exchange will have the same privileges as your original account (as long as they are available).

#### Third Party Transactions

You may buy and redeem Fund shares through certain broker-dealers and financial organizations and their authorized intermediaries. If purchases and redemptions of Fund shares are arranged and settlement is made at an investor's election through a registered broker-dealer, other than the Fund's distributor, that broker-dealer may, at its discretion, charge a fee for that service.

#### Account statements

Every Fund investor automatically receives regular account statements. You will also be sent a yearly statement detailing the tax characteristics of any dividends and distributions you have received.

## General policies

For any Fund, if your account falls below \$250,000 (\$100,000 for Money Market Fund) as a result of redemptions and or exchanges for six months or more, the Fund may close your account and send you the proceeds upon 60 days' written notice.

Unless you decline telephone privileges on your New Account Form, you may be responsible for any fraudulent telephone order as long as the Transfer Agent takes reasonable measures to verify the order.

## Large Redemption Amounts

Each Fund also reserves the right to make a "redemption in kind"—payment in portfolio securities rather than cash—if the amount you are redeeming in any 90-day period is large enough to affect Fund operations (for example, if it equals more than \$250,000 or represents more than 1% of the Fund's assets).

Each Fund restricts excessive trading (usually defined as more than four exchanges out of the Fund within a calendar year). You are limited to one exchange of shares in the same Fund during any 15-day period except investors in 401(k) and other group retirement accounts, investors who purchase shares through certain broker-dealers and asset allocation accounts managed by the Adviser or an affiliate. Each Fund reserves the right to:

- refuse any purchase or exchange request that could adversely affect a Fund or its operations, including those from any individual or group who, in the Fund's view, are likely to engage in excessive trading
- change or discontinue its exchange privilege, or temporarily suspend this privilege during unusual market conditions
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)

## TO OPEN AN ACCOUNT

### In Writing

Complete the New Account Form. Mail your New Account Form and a check made payable to TCW Galileo Fund to:

*Regular Mail*

TCW Galileo Funds, Inc.  
DST Systems, Inc.  
P.O. Box 419951  
Kansas City, MO 64141-6951

*Express, Registered or Certified Mail*

TCW Galileo Funds, Inc.  
DST Systems, Inc.  
330 W. 9th Street  
Poindexter Building, 1st Floor  
Kansas City, MO 64105-2005

### By Telephone

Please contact the Transfer Agent at (800) 248-4486 for a New Account Form.

Wire: Have your bank send your investment to:

(Same)

United Missouri Bank of Kansas City, N.A.  
ABA No. 101000695  
DST Systems, Inc./AC 9870371553  
FBO TCW Galileo Fund  
(Name on the Fund Account)  
(Fund Account Number)

### Via Exchange

Call the Transfer Agent at (800) 248-4486 or the Investor Relations Department at (800) 386-3829. The new account will have the same registration as the account from which you are exchanging.

If you need help completing the New Account Form, please call the transfer agent at (800) 248-4486, the Investor Relations Department at TCW Galileo Funds at (800) FUND TCW (800) 386-3829 or your investment representative at TCW Galileo Funds.

## TO ADD TO AN ACCOUNT

(Same, except that you should include a note specifying the Fund name, your account number, and the name(s) your account is registered in.)



## TO SELL OR EXCHANGE SHARES

### By Mail

Write a letter of instruction that includes:

- your name(s) and signature(s) as on the account form
- your account number
- the Fund name
- the dollar amount you want to sell or exchange
- how and where to send the proceeds

Obtain a signature guarantee or other documentation, if required (See "Account Policies and Services—Selling Shares").

Mail your letter of instruction to:

#### *Regular Mail*

TCW Galileo Funds, Inc.  
DST Systems, Inc.  
P.O. Box 419951  
Kansas City, MO 64141-6951

#### *Express, Registered or Certified Mail*

TCW Galileo Funds, Inc.  
DST Systems, Inc.  
330 W. 9th Street  
Poindexter Building, 1st Floor  
Kansas City, MO 64105-2005

### By Telephone

Be sure the Fund has your bank account information on file. Call the Transfer Agent at (800) 248-4486 to request your transaction. Proceeds will be wired to your bank.

Telephone redemption requests must be for a minimum of \$1,000.

**Systematic Withdrawal Plan:** Call (800) 248-4486 to request a form to add the plan. Complete the form, specifying the amount and frequency of withdrawals you would like.

Be sure to maintain an account balance of \$25,000 or more. Systematic Withdrawal plans are subject to a minimum annual withdrawal of \$500.

To reach the Transfer Agent, DST Systems, Inc., call toll free in the U.S.

(800) 248-4486  
Outside the U.S.  
(816) 843-7166 (collect)

To reach your investment representative or the Investor Relations Department at TCW Galileo Funds, call toll free in the U.S.

(800) 386-3829

## Distributions and Taxes

The amount of dividends of net investment income and distributions of net realized long and short-term capital gains payable to shareholders will be determined separately for each Fund. Dividends from the net investment income of each Fund will be declared and paid annually except for the Convertible Securities Fund, which will declare and pay dividends quarterly. The Funds will distribute any net realized long or short-term capital gains at least annually. Your distributions will be reinvested in the fund unless you instruct the fund otherwise. There are no fees or sales charges on reinvestments.

In any fiscal year in which the Funds qualify as regulated investment companies and distribute to shareholders all of their net investment income and net capital gains, the Funds are relieved of Federal income tax.

Generally, all dividends and capital gains are taxable whether they are reinvested or received in cash—unless you are exempt from taxation or entitled to tax deferral. Capital gains distributions may be taxable at different rates depending on the length of time a Fund has held the assets sold. Early each year, you will be notified as to the amount and Federal tax status of all distributions paid during the prior year. Distributions may also be subject to state or local taxes. The tax treatment of redemptions from a retirement plan account may differ from redemptions from an ordinary shareholder account. If you redeem shares of a Fund or exchange them for shares of another Fund, any gain on the transaction may be subject to tax. You must provide the Funds with a correct taxpayer identification number (generally your Social Security Number) and certify that you are not subject to backup withholding. If you fail to do so, the IRS can require the Funds to withhold 31% of your taxable distributions and redemptions. Federal law also requires the Funds to withhold 30% or the applicable tax treaty rate from dividends paid to nonresident alien, non-U.S. partnership and non-U.S. corporation shareholder accounts.

This is a brief summary of some of the tax laws that affect your investment in the Fund. Please see the Statement of Additional Information and your tax adviser for further information.

## Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years indicated. Certain information reflects financial results for a single Fund share. "Total return" shows how much your investment in the Institutional Class shares of the Fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been audited by Deloitte & Touche LLP, whose report, along with Company's financial statements, are included in the annual report, which is available upon request.

### TCW Galileo Convertible Securities Fund

	Year Ended October 31, 1998	January 2, 1997 (Commencement of Operations) through October 31, 1997
Per-Share Data (\$)		
Net asset value, beginning of period	\$11.41	\$10.00
Investment operations:		
Investment income—net	0.37	0.31
Net realized and unrealized gain on investments	(0.08)	1.43
Total from investment operations	0.29	1.74
Distributions:		
Dividends from investment income—net	(0.37)	(0.33)
Dividends from net realized gains on investments	(0.75)	—
Dividends in excess of net investment income	(0.05)	—
Total Distributions	(1.17)	(0.33)
Net asset value, end of period	\$10.53	\$11.41
Total return (%)	2.69%	17.66%
Ratios/Supplemental Data		
Net assets, end of period (\$ x 1,000)	\$27,388	\$36,890
Ratio of expenses to average net assets (%)	1.05% <sup>3</sup>	0.95% <sup>2,3</sup>
Ratio of net income to average net assets (%)	3.34%	3.54% <sup>2</sup>
Portfolio turnover rate (%)	139.65%	141.43% <sup>1</sup>

<sup>1</sup>For the period January 2, 1997 (commencement of operations) to October 31, 1997 and not indicative of a full year's operating results.

<sup>2</sup>Annualized.

<sup>3</sup>The Adviser had voluntarily agreed to reduce its fee, or to pay the operating expenses of the Fund, to the extent necessary to limit the annual ordinary operating expenses of the Fund to 0.95% of net assets through December 31, 1997 and 1.05% of net assets through December 31, 1998. Had such action not been taken, total annualized operating expenses as a percentage of average net assets would have been 1.51% for the period January 2, 1997 (commencement of operations) through October 31, 1997 and 1.16% for the year ended October 31, 1998.

## Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years indicated. Certain information reflects financial results for a single Fund share. "Total return" shows how much your investment in the Institutional Class shares of the Fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been audited by Deloitte & Touche LLP, whose report, along with Company's financial statements, are included in the annual report, which is available upon request.

### TCW Galileo Select Equities Fund (formerly TCW Galileo Core Equities Fund)

	Year Ended October 31				Ten Months Ended 10/31, 1994
	1998	1997	1996	1995	1994
Per-Share Data (\$)					
Net asset value, beginning of period	\$19.29	\$15.93	\$13.69	\$11.57	\$11.81
Investment operations:					
Investment income (loss)—net	(0.02)	0.01	0.11	0.06	0.04
Net realized and unrealized gain (loss) on investments	3.38	3.57	2.18	2.11	(0.28)
Total from investment operations	3.36	3.58	2.29	2.17	(0.24)
Distributions:					
Dividends from investment income—net	—	(0.02)	(0.05)	(0.05)	—
Dividends from net realized gains on investments	(5.76)	(0.20)	—	—	—
Total Distributions	(5.76)	(0.22)	(0.05)	(0.05)	—
Net asset value, end of period	\$16.89	\$19.29	\$15.93	\$13.69	\$11.57
Total return (%)	23.83%	22.68%	16.79%	18.85%	(2.03)% <sup>1</sup>
Ratios/Supplemental Data					
Net assets, end of period (\$ x 1,000)	\$184,865	\$156,113	\$231,302	\$197,721	\$136,122
Ratio of expenses to average net assets (%)	0.86%	0.83%	0.82%	0.85%	0.91% <sup>2</sup>
Ratio of net income (loss) to average net assets (%)	(0.14)%	0.08%	0.18%	0.48%	0.44% <sup>2</sup>
Portfolio turnover rate (%)	103.51%	39.22%	39.58%	53.77%	23.53% <sup>1</sup>

<sup>1</sup>For the ten months ended October 31, 1994 and not indicative of a full year's operating results.

<sup>2</sup>Annualized.

## Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years indicated. Certain information reflects financial results for a single Fund share. "Total return" shows how much your investment in the Institutional Class shares of the Fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been audited by Deloitte & Touche LLP, whose report, along with Company's financial statements, are included in the annual report, which is available upon request.

### TCW Galileo Earnings Momentum Fund

	Year Ended October 31			
	1998	1997	1996	1995
Per-Share Data (\$)				
Net asset value, beginning of year	\$13.87	\$13.01	\$11.47	\$10.00
Investment operations:				
Investment income (loss)—net	(0.14)	(0.12)	(0.11)	(0.03)
Net realized and unrealized gain on investments	(2.20)	1.98	1.72	1.51
Total from investment operations	(2.34)	1.86	1.61	1.48
Distributions:				
Dividends from net realized gains on investments	(0.97)	(1.00)	(0.07)	—
Dividends in excess of net investment income	—	—	—	(0.01)
Total Distributions	(0.97)	(1.00)	(0.07)	(0.01)
Net asset value, end of period	\$10.56	\$13.87	\$13.01	\$11.47
Total return (%)	(17.76)%	15.53%	13.99%	14.76%
Ratios/Supplemental Data				
Net assets, end of year (\$ x 1,000)	\$ 32,299	\$101,667	\$77,994	\$63,411
Ratio of expenses to average net assets (%)	1.27%	1.17%	1.13%	1.14% <sup>1</sup>
Ratio of net income (loss) to average net assets (%)	(1.10)%	(0.96)%	(0.82)%	(0.28)%
Portfolio turnover rate (%)	51.25%	93.06%	99.03%	85.91%

<sup>1</sup>The Adviser has voluntarily agreed to reduce its fee from the Fund, or to pay the operating expenses of the Fund, to the extent necessary to limit the ordinary operating expenses of the Fund to 1.14% of net assets through December 31, 1995. Had such action not been taken, total operating expenses for the fiscal years ended October 31, 1996 and October 31, 1995 would have been 1.14% of average net assets.

## Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years indicated. Certain information reflects financial results for a single Fund share. "Total return" shows how much your investment in the Institutional Class shares of the Fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been audited by Deloitte & Touche LLP, whose report, along with Company's financial statements, are included in the annual report, which is available upon request.

### TCW Galileo Large Cap Growth Fund

	June 3, 1998 (Commencement of Operations) through October 31, 1998
Per-Share Data (\$)	
Net asset value, beginning of period	\$10.00
Investment operations:	
Investment income—net	—
Net realized and unrealized gain (loss) on investments	1.18
Total from investment operations	1.18
Net asset value, end of period	\$11.18
Total return (%)	11.80% <sup>1</sup>
Ratios/Supplemental Data	
Net assets, end of period (\$ x 1,000)	\$ 7,800
Ratio of expenses to average net assets (%)	0.91% <sup>2,3</sup>
Ratio of net income (loss) to average net assets (%)	(0.07)% <sup>2</sup>
Portfolio turnover rate (%)	50.76% <sup>1</sup>

<sup>1</sup>For the period June 3, 1998 (commencement of operations) through October 31, 1998 and not indicative of a full year's operating results.

<sup>2</sup>Annualized.

<sup>3</sup>The Adviser has voluntarily agreed to reduce its fee, or to pay the operating expenses of the Fund, to the extent necessary to limit ordinary operating expenses of the Fund to 0.91% of net assets through December 31, 1998. Had such action not been taken, total annualized operating expenses for the period June 3, 1998 (commencement of operations) through October 31, 1998 would have been 2.53% of average net assets.

## Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years indicated. Certain information reflects financial results for a single Fund share. "Total return" shows how much your investment in the Institutional Class shares of the Fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been audited by Deloitte & Touche LLP, whose report, along with Company's financial statements, are included in the annual report, which is available upon request.

### TCW Galileo Large Cap Value Fund

June 3, 1998  
(Commencement  
of Operations)  
through  
October 31,  
1998

Per-Share Data (\$)	
Net asset value, beginning of period	\$10.00
Investment operations:	
Investment income—net	0.04
Net realized and unrealized gain (loss) on investments	0.08
Total from investment operations	0.12
Net asset value, end of period	\$10.12
Total return (%)	1.20% <sup>1</sup>
Ratios/Supplemental Data	
Net assets, end of period (\$ x 1,000)	\$7,505
Ratio of expenses to average net assets (%)	0.55% <sup>1,2</sup>
Ratio of net income (loss) to average net assets (%)	1.04% <sup>1</sup>
Portfolio turnover rate (%)	83.84% <sup>3</sup>

<sup>1</sup>Annualized.

<sup>2</sup>The Adviser has voluntarily agreed to reduce its fee, or to pay the operating expenses of the Fund, to the extent necessary to limit ordinary operating expenses of the Fund to 0.55% of net assets through December 31, 1998. Had such action not been taken, total annualized operating expenses for the period June 3, 1998 (commencement of operations) through October 31, 1998 would have been 2.48% of average net assets.

<sup>3</sup>For the period June 3, 1998 (commencement of operations) and not indicative of a full year's operating results.

## Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years indicated. Certain information reflects financial results for a single Fund share. "Total return" shows how much your investment in the Institutional Class shares of the Fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been audited by Deloitte & Touche LLP, whose report, along with Company's financial statements, are included in the annual report, which is available upon request.

### TCW Galileo Aggressive Growth Equities Fund (formerly TCW Galileo Mid-Cap Growth Fund)

June 3, 1996  
(Commencement  
of Operations)  
through  
October 31,  
1996

	Year Ended October 31 1998	1997	
Per-Share Data (\$)			
Net asset value, beginning of period	\$9.40	\$9.19	\$10.00
Investment operations:			
Investment income (loss)—net	(0.11)	(0.08)	(0.03)
Net realized and unrealized gain (loss) on investments	2.06	0.29	(0.78)
Total from investment operations	1.95	0.21	(0.81)
Net asset value, end of period	\$11.35	\$9.40	\$9.19
Total return (%)	20.74%	2.28%	(8.10)% <sup>1</sup>
Ratios/Supplemental Data			
Net assets, end of period (\$ x 1,000)	\$84,904	\$135,850	\$92,430
Ratio of expenses to average net assets (%)	1.17%	1.12%	1.20% <sup>2,3</sup>
Ratio of net income (loss) to average net assets (%)	(1.03)%	(0.86)%	(0.80)% <sup>2</sup>
Portfolio turnover rate (%)	55.36%	50.45%	19.19% <sup>1</sup>

<sup>1</sup>For the period June 3, 1996 (commencement of operations) through October 31, 1996 and not indicative of a full year's operating results.

<sup>2</sup>Annualized.  
<sup>3</sup>The Adviser has voluntarily agreed to reduce its fee from the Fund, or to pay the operating expenses of the Fund, to the extent necessary to limit the ordinary operating expenses of the Fund to 1.20% of net assets through December 31, 1996. Had such action not been taken, total annualized operating expenses for the period June 3, 1996 (commencement of operations) through October 31, 1996.

## Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years indicated. Certain information reflects financial results for a single Fund share. "Total return" shows how much your investment in the Institutional Class shares of the Fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been audited by Deloitte & Touche LLP, whose report, along with Company's financial statements, are included in the annual report, which is available upon request.

### TCW Galileo Small Cap Growth Fund

	Year Ended October 31				March 31, 1994 (Commencement of Operations) through October 31, 1994
	1998	1997	1996	1995	
Per-Share Data (\$)					
Net asset value, beginning of period	\$18.74	\$17.17	\$13.53	\$9.39	\$10.00
Investment operations:					
Investment income (loss)—net	(0.18)	(0.15)	(0.13)	(0.07)	(0.04)
Net realized and unrealized gain (loss) on investments	(0.90)	1.91	4.08	4.72	(0.57)
Total from investment operations	(1.08)	1.76	3.95	4.65	(0.61)
Distributions:					
Dividends from investment income—net	—	—	(0.01)	—	—
Dividends from net realized gains on investments	(1.18)	(0.19)	(0.30)	(0.51)	—
Total Distributions:	(1.18)	(0.19)	(0.31)	(0.51)	—
Net asset value, end of period	\$16.48	\$18.74	\$17.17	\$13.53	\$9.39
Total return (%)	(5.98)%	10.38%	29.73%	49.89%	(6.10)% <sup>1</sup>
Ratios/Supplemental Data					
Net assets, end of period (\$ x 1,000)	\$116,050	\$144,756	\$132,444	\$66,056	\$51,089
Ratio of expenses to average net assets (%)	1.13%	1.14%	1.14%	1.21% <sup>3</sup>	1.09% <sup>2,3</sup>
Ratio of net income (loss) to average net assets (%)	(0.95)%	(0.89)%	(0.76)%	(0.61)%	(0.59)% <sup>2</sup>
Portfolio turnover rate (%)	63.67%	60.52%	45.43%	89.73%	88.63% <sup>1</sup>

<sup>1</sup>For the period March 1, 1994 (commencement of operations) through October 31, 1994 and not indicative of a full year's operating results.

<sup>2</sup>Annualized.

<sup>3</sup>The Adviser has voluntarily agreed to reduce its fee from the Fund, or to pay the operating expenses of the Fund, to the extent necessary to limit the ordinary operating expenses of the Fund to 1.09% of net assets through December 31, 1994. Had such action not been taken, total annualized operating expenses for the period March 1, 1994 (commencement of operations) through October 31, 1994 would have been 1.39% of average net assets and for the fiscal year ended October 31, 1995, total operating expenses would have been 1.24% of average net assets.

## Financial Highlights

The financial highlights table is intended to help you understand the Fund's financial performance for the fiscal years indicated. Certain information reflects financial results for a single Fund share. "Total return" shows how much your investment in the Institutional Class shares of the Fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been audited by Deloitte & Touche LLP, whose report, along with Company's financial statements, are included in the annual report, which is available upon request.

### TCW Galileo Value Opportunities Fund

	November 3, 1997 (Commencement of Operations) through October 31, 1998
Per-Share Data (\$)	
Net asset value, beginning of period	\$10.00
Investment operations:	
Investment income (loss)—net	—
Net realized and unrealized gain (loss) on investments	(0.75)
Total from investment operations	(0.75)
Distributions:	
Dividends from investment income—net	—
Dividends from net realized gains on investments	—
Dividends in excess of net realized gains	(0.01)
Total Distributions	(0.01)
Net asset value, end of period	\$9.24
Total return (%)	(7.49)% <sup>1</sup>
Ratios/Supplemental Data	
Net assets, end of period (\$ x 1,000)	\$28,634
Ratio of expenses to average net assets (%)	1.16% <sup>2</sup>
Ratio of net income to average net assets (%)	0.05% <sup>2</sup>
Portfolio turnover rate (%)	97.30% <sup>1</sup>

<sup>1</sup>For the period November 3, 1997 (commencement of operations) through October 31, 1998 and not indicative of a full year's operating results.

<sup>2</sup>Annualized.

## FOR MORE INFORMATION

**For all shareholder account information such as transactions and account inquiries:**

Call (800) 248-4486

**For information regarding the TCW Galileo Funds, Inc.:**

Call (800) FUNDTCW (386-3829)

### **In writing:**

TCW Galileo Funds, Inc.  
c/o DST System, Inc.,  
P.O. Box 419951  
Kansas City, MO 64141-6951

### **On the Internet:**

Text-only versions of Fund documents filed with the SEC can be viewed online or downloaded from:

### **SEC**

<http://www.sec.gov>

### **TCW GALILEO FUNDS, INC.**

<http://www.tcwgroup.com>

You can also obtain copies by visiting the SEC's Public Reference Room in Washington, DC (phone 1-800-SEC-0330) or by sending your request and a duplicating fee to the SEC's Public Reference Section, 450 Fifth Street, N.W., Washington, DC 20549-6009.

## **TCW Galileo Funds, Inc.**

SEC file number: 811-7170

More information on the Fund is available free upon request, including the following:

### **Annual / Semi-Annual Report**

Describes the Fund's performance, lists portfolio holdings and contains a letter from the Fund's portfolio manager discussing recent market conditions, economic trends and Fund strategies.

### **Statement of Additional Information (SAI)**

Provides more details about the Fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference and is legally considered part of this prospectus.

*TCW Galileo Asia Pacific Equities Fund*  
*TCW Galileo Emerging Markets Equities Fund*  
*TCW Galileo Emerging Markets Income Fund*  
*TCW Galileo European Equities Fund*  
*TCW Galileo International Equities Fund*  
*TCW Galileo Japanese Equities Fund*  
*TCW Galileo Latin American Equities Fund*

*TCW Galileo Core Fixed Income Fund*  
*TCW Galileo Mortgage-Backed Securities Fund*  
*TCW Galileo Total Return Mortgage-Backed Securities Fund*  
*TCW Galileo High Yield Bond Fund*

*TCW Galileo Convertible Securities Fund*  
*TCW Galileo Select Equities Fund*  
*TCW Galileo Earnings Momentum Fund*  
*TCW Galileo Large Cap Growth Fund*  
*TCW Galileo Large Cap Value Fund*  
*TCW Galileo Aggressive Growth Equities Fund*  
*TCW Galileo Small Cap Growth Fund*  
*TCW Galileo Small Cap Value Fund*  
*TCW Galileo Value Opportunities Fund*  
*TCW Galileo Money Market Fund*